

WASHINGTON, DC -- Congresswoman Linda Sánchez, Chairwoman of the House Judiciary Subcommittee on Commercial and Administrative Law (CAL), issued the following opening statement today at the CAL Subcommittee legislative hearing on H.R. 3396, The Sales Tax Fairness and Simplification Act of 2007, granting consent of congress to the Streamlined Sales and Use Tax Agreement. The bill also provides minimum requirements that each state must meet to collect sales taxes from remote sellers, including those online.

“A recently released report on e-commerce revealed that online sales on CyberMonday 2007, the Monday following the Thanksgiving weekend, were \$733 million, a 21% increase from the same shopping day last year. And the total online sales for this holiday season are projected to be \$29.5 billion, an increase of \$5 billion from the same shopping period last year. These numbers reflect the growing number of consumers who see the benefits of shopping online: no waiting in lines, no traffic to deal with, and the convenience of items being shipped to your front door.

“But there is an additional benefit that some consumers enjoy when purchasing items online: not having to pay sales taxes. Some companies actually post this on their websites to increase sales. States currently have limited legal authority to require remote sellers to collect sales taxes on items they sell. Instead, the burden is on consumers to remit use taxes, which are the equivalent of sales taxes, to their state of residence. However, most consumers do not, partly due to the complexity in calculating how much taxes they need to pay, partly because they are not even aware of their obligation, and partly because, let's face it, those who do know about the obligation aren't actually going to go out of their way to pay additional taxes.

“State and local governments have voiced their concerns that that increasing online sales and the resulting loss in collection of sales taxes are affecting an ever larger portion of their revenues. On the other hand, online businesses remind us that the Supreme Court has ruled that states cannot require them to collect sales taxes and remit them to the states because the tax systems are overly complex.

“In an effort to remedy this issue, Congressman Delahunt has introduced H.R. 3396. H.R. 3396 would give Congress's consent to the Streamlined Sales and Use Tax Agreement, which several states have entered into to simplify their sales tax systems and respond to the Supreme Court's ruling. The legislation also sets forth 19 minimum simplification requirements which the states must follow to receive authorization to require remote sellers to collect sales taxes on items they sell.

“Today's hearing serves three purposes. First, the witnesses will help us understand whether there is a need for a simplified sales and use tax system. Second, this hearing will provide us with an opportunity to hear about the progress that the states have made in coming to an agreement to simplify their sales and use tax systems. And finally, the testimony will help us determine how soon the states can meet the requirements established in H.R. 3396 and whether the legislation fully addresses the concerns of consumers, states, and businesses.

“We have four witnesses with us this morning to testify about the issues addressed by H.R. 3396 and to answer our questions about the legislation and the agreement, and what impact

H.R. 3396 would have on consumers, businesses, and state and local revenues. Accordingly, I look forward to hearing today's testimony."